

Message Text

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ACTION EUR-25

INFO OCT-01 NEA-14 IO-14 ISO-00 EURE-00 SSO-00 NSCE-00

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FM AMEMBASSY THE HAGUE

TO AMEMBASSY ANKARA IMMEDIATE

USMISSION GENEVA IMMEDIATE

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C O N F I D E N T I A L THE HAGUE 4502

E.O. 11652: GDS

TAGS: SNAR, NL

SUBJ: PRICE OF POPPY STRAW

REF: ANKARA 7081

1. FOLLOWING INFO SUPPLIED BY MARKETING MANAGER OF UNITED PHARMACEUTICAL FACTORY, NETHERLANDS (VERENIGDE PHARMACEUTISCHE FABRIEK, VPF FOR SHORT), WHICH IS ONLY PRODUCER IN NETHS OF MORPHINE/CODEINE.

2. VPF'S STRAW PROCESSING CAPACITY IS 15 TO 17 METRIC TONS ANNUALLY. PLANT IS PRESENTLY OPERATING AT OR NEAR CAPACITY. IT PRODUCES MORPHINE/CODEINE FROM BOTH OPIUM GUM AND INCISED POPPLY STRAW. CURRENTLY, ONLY ABOUT 6 PCT OF PLANT'S MORPHINE/CODEINE PRODUCTION IS DERIVED FROM PROCESSING OF OPIUM GUM (OTAL MORPHINE/CODEINE OUTPUT IS ABOUT 15 TONS/ YEAR AT CURRENT LEVEL), REMAINDER DERIVED FROM PROCESSING
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OF INCISED POPPY STRAW.

3. CURRENT IMPORTS. CURRENT ANNUAL LEVEL OF OPIUM GUM IMPORTS BY VPF IS ABOUT 10 TO 15 METRIC TONS. IMPORTS OF INCISED POPPY STRAW ("POPPY CAPSULES") ARE IN NEIGHBORHOOD OF 6 TO 7 THOUSAND METRIC TONS, CONTAINING ABOUT 0.2 PCT MORPHINE EQUIVALENT. SINCE TURKISH OPIUM BAN, VPF'S EXCLUSIVE SOURCE OF RAW MATERIAL HAS BEEN INDIA (PRIOR TO TURKISH BAN VPF TOOK APPROX 60 PCT OF TURKISH POPPY STRAW EXPORTS IN NORMAL CROP YEAR, HIGHER PROPORTION IN LOWER CROP YEARS. IMPORTS FROM INDIA DID NOT START UNTIL 1973).

4. CURRENT PRICES. VPF CURRENTLY IS PAYING ABOUT \$140 (ONE HUNDRED FORTY US DOLLARS) PER METRIC TON OF INCISED POPPY STRAW, FOB INDIAN PORT. SHIPPING, ETC., ADDS ABOUT \$220 (THUNDRED TWETNY) PER TON, SO THAT CIF ROTTERDAM PRICE IS ABOUT US DOLLARS 360 PER TON. (SHIPPING AND RELATED COSTS FROM TURKEY LAST TIME VPF IMPORTED INCISED STRAW FROM THAT SOURCE WERE ABOUT 50 DOLLARS PER TON. VPF ESTIMATES CURRENT SHIPPING COSTS FROM TURKEY WOULD BE LESS THAN HALF OF CURRENT SHIPPING COSTS FROM INDIA).

5. VPF PLANS FOR 1975: VPF DOES NOT PLAN TO INCREASE PLANT CAPACITY IN 1975 AND THEREFORE ANTICIPATES ITS DEMAND FOR POPPY CAPSULES WILL REMAIN AT CURRENT ANNUAL LEVEL OF 6 TO 7 THOUSAND METRIC TONS. (WHILE THAT FIGURE REPRESENTS FACTORY'S STRAW PROCESSING CAPACITY, ITS OUTPUT OF MORPHINE/CODEINE COULD BE INCREASED BEYOND PRESENT LEVEL BY USING HIGHER YIELD STRAW OR LARGER OPIUM GUM INPUT). OUR SOURCE INDICATED VPF IS CERTAINLY INTERESTED IN RESUMING IMPORTS FROM TURKEY, AS TURKISH STRAW GIVES HIGHER YIELD THAN DOES INDIAN AND BECAUSE VPF WOULD WELCOME REDUCTION OF THE UNCERTAINTY INHERENT IN DEPENDING ON ONLY ONE SUPPLIER.

6. WHETHER VPF DECIDES TO TAKE ANY OF 1975 TURKISH CROP, HOWEVER, IS LARGELY A MATTER OF RELATIVE PRICES. AT THIS JUNCTURE, VPF IS IN THE DARK AS TO TURKISH INTENTIONS RE 1975 CROP, INCLUDING PRICING. SHOULD TURKISH PRICES BE COMPETITIVE, EMBASSY'S READING OF SITUATION IS THAT VPF WOULD OPT TO SUBSTITUTE SIGNIFICANT PROPORTION OF ITS CURRENT IMPORTS FROM INDIA BY TURKISH PRODUCT. THIS FEELING IS CONFIDENTIAL

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REINFORCED BY EMBASSY DISCUSSION WITH HEALTH MINISTRY SOURCE," WHO ALLUDED TO SUPPLY DIFFICULTIES FROM INDIA STEMMING PRINCIPALLY FROM UNCERTAINTY OF TRANSPORT AVAILABILITY. VPF SHOURCE FURTHER STATED THAT, ALL OTHER THINGS BEING EQUAL, THE FIRM WOULD BE DELIGHTED TO WORK WITH UNINCISED CAPSULES. HE WAS NOT OPTIMISTIC, HOWEVER, THAT GOVERNMENTS IN QUESTION WOULD PERMIT EXPORTS OF UNINCISED POPPIES BECAUSE DOING SO WOULD ENTAIL REDUCTION IN EMPLOYMENT AND ASSOCIATED REVENUES IN GUM PRODUCTING AREAS.

7. FYI. AS WOULD BE EXPECTED, VPF SOURCE INQUIRED AS TO REASON FOR EMBASSY'S QUERY. WE REPLIED THAT DEPARTMENT OF STATE IS ATTEMPTING TO PROJECT 1975 WORLD POPPLY STRAW DEMAND, AND IN PARTICULAR DEMAND FOR TURKISH CROP. OUR CONTACT, WHO WAS MOST COOPERATIVE AND FORTHCOMING THROUGHOUT, THEN VOLUNTEERED THAT TURKS SEEM TO BE ENGAGED IN SIMILAR EXERCISE, AS PREVIOUS WEEK A REP OF TURKISH EMBASSY THE HAGUE HAD APPROACHED VPF WITH SET OF SIMILAR QUESTIONS.

8. VPF FACTORY IS LOCATED IN APELDOORN. ITS PRODUCTS ARE MARKETED THROUGH DIOSYNTH B.V. IN OSS, NETHERLANDS. BOTH FIRMS BELONG TO AKZO PHARMA DIVISION OF DUTCH MULTINATIONAL AKZO. END FYI.
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